LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 7985
BILL NUMBER: HB 1499

DATE PREPARED: Jan 9, 2001
BILL AMENDED:

SUBJECT: Reassessment issues.

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FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: ***Reassessment*:** This bill provides for the annual adjustment of assessed value of real property beginning with the 2004 assessment date. The bill also provides that the State Board of Tax Commissioners is a party to a local reassessment contract.

***Land Valuation Commissions*:** It establishes a county land valuation commission in each county for determination of land values for property tax purposes.

***Sales Disclosure*:** This bill requires each county treasurer to establish a county Sales Disclosure Fund, and specifies permitted uses of the fund. The bill also establishes the Assessment Training Fund and requires the Treasurer of State to transfer $500,000 from the state's share of sales disclosure form fees to the Assessment Training Fund.

***Appeals Board*:** It also amends the restrictions on qualification for membership on the county property tax assessment board of appeals.

***State Board*:** The bill establishes the Division of Data Analysis of the State Board of Tax Commissioners.

***Assessor Training*:** This bill amends assessor training and certification requirements.

***Assessor Certification*:** The bill provides for increased compensation for certain assessing officials who have attained level two assessor certification. It also authorizes per diem compensation for an assessor for service on a county land valuation commission.

***Assessed Value*:** The bill provides that a notice is not required to change a taxpayer's assessment as a result of assessed value changing from one-third to 100% of true tax value.

Effective Date: Upon passage; January 1, 2001 (retroactive); July 1, 2001.

Explanation of State Expenditures: ***Reassessment*****:** The bill specifies that the State Tax Board would be a party to appraisal contracts. The State Tax Board would have the responsibility to ensure that the contract form adheres to the contract standard set by the Board and that the contract adequately provides for the transmission of assessment data to the state.

State Board**:** This bill would create the Division of Data Analysis within the State Tax Board. The division would compile a database including information from the Local Government Database, sales disclosure forms, personal property returns, real property assessment records, and exemption, deduction, and credit data. Much of this data is already available in machine readable form. The division would have to electronically compile data from the sales disclosure forms and information on exemptions, deductions, and credits.

The division would be required to conduct continuing studies of deductions, abatements, and exemptions. The division would report on the studies to the State Budget Committee and submit the report to the General Assembly every two years.

The division would also:

- Conduct continuing studies related to State Tax Board areas;
- Make periodic field surveys and audits of various documents useful in checking valuations and returns;
- Make test checks of valuations to serve as the basis for special reassessments;
- Conduct a coefficient of dispersion study for each township and county every two years;
- Conduct a sales assessment ratio study for each township and county every four years;
- Compute school assessment ratios; and
- Report the data obtained or determined to the Legislative Services Agency.

The Data Analysis Division would require large initial expenditures for computer equipment, software, and possibly contractor services to create the database. The division would also need to hire a division director, systems analyst, programmer, and several employees to review and analyze the data. The actual fiscal impact would depend on the final design of the database and the number of employees hired. The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Assessor Training**:** Under this provision, the State Board of Tax Commissioners would be required to hold at least five training sessions for new assessing officials, assessors, and members of county property tax assessment boards of appeals. At least one session would be held in Marion County and at least four sessions would be held in other areas of the state. Current law does not specify the number of sessions and requires only that the sessions "must be held at sufficient convenient locations throughout Indiana."

The Tax Board currently holds a two-day training session in each of seven locations around the state after an election in which assessing officials are on the ballot. The sessions are currently held in Huntington, Valparaiso, Lafayette, Greenfield, Greencastle, Scottsburg, and Vincennes. In non-election years, the Tax Board holds sessions for new officials only in Indianapolis.

Current law requires the State Board of Tax Commissioners to hold continuing education sessions for all assessing officials, assessors, and members of, and hearing officers for, the county property tax assessment boards of appeals at "sufficient convenient locations throughout Indiana." Under the proposal, the State Tax Board would be required to offer enough continuing education sessions so that each level one and level two assessor may attend sessions every two years to maintain their certification. Training programs must include basic assessment administration and level one certification preparation.

Prior to 1999, the Tax Board held three one-half-day continuing education sessions each year at each of the seven locations listed above. In 1999 and 2000, the Tax Board held the same number of continuing education sessions at the same locations but increased them from one-half day to two-day sessions. This amounted to 21 two-day continuing education sessions each in 1999 and 2000.

The Tax Board appears to be currently holding sufficient training sessions, except for the number of training sessions offered to new officials in the non-election years, to satisfy the new requirements proposed in this bill. This bill would require the Tax Board to increase the number of training sessions offered to new officials in the non-election years.

The State Tax Board would also be required to give level one and level two assessor-appraiser examinations at times that coordinate with the training sessions conducted for new assessing officials, county assessors, or members of county property tax assessment boards of appeals. The State Board would be required to annually hold these examinations in at least four locations in addition to Indianapolis. Additionally, the Tax Board would be required to accommodate all individuals who wish to enroll at each examination session.

The State Tax Board could incur additional expenses for holding additional assessor-appraiser training sessions and certification examinations if necessary. These expenses would include staff travel and rent (if any) for meeting space. The actual impact would depend on the number and location of any additional meetings needed.

The bill requires the State Board to revoke the certification of any individual who commits fraud or misrepresentation with respect to the certification examination. The bill also requires the State Board to give notice to and hold a hearing to consider evidence before it may decide whether to revoke a certification.

Explanation of State Revenues: ***Sales Disclosure*****:** A sales disclosure form must be filed with the county auditor any time real property is sold or transferred for valuable consideration, except a transfer to charity. Filers pay a $5 fee of which $1 is deposited in the state General Fund. This bill would establish the Assessment Training Fund to be used for training assessment officials and State Tax Board employees. The $1 portion of the sales disclosure filing fee that currently goes to the state General Fund would instead be deposited in this new fund. The FY 2000 revenue from the filing of sales disclosure forms was $205,032. Additionally, the bill requires the transfer of $500,000 from the Sales Disclosure Account of the state General Fund to the Assessment Training Fund in FY 2001. The Sales Disclosure Account has a current balance of $878,000.

Explanation of Local Expenditures: ***Land Valuation Commissions*****:** Under this proposal, the county fiscal body would be permitted to grant a per diem to the county and township assessors for each day that the assessors are engaged in service to the county land valuation commission. The per diem rate for each county is set by the individual county. The fiscal impact of this provision depends on whether or not the county grants a per diem to the assessors, the amount of time that the assessors spend on commission work, and the per diem rate in the county.

***Assessor Certification*:** This bill requires that county assessors who achieve a level two assessor-appraiser certification are to be paid an additional $1,000 per year. This provision would increase expenses for county assessor salaries by up to $92,000 per year, statewide.

Employees of the county assessor and the township assessor who achieve a level two assessor-appraiser certification are to be paid an additional $500 per year. This provision would increase salary expenses for county assessor employees and township assessor employees. The total increase depends on the total number of employees who become certified.

These new compensation levels for county assessors and their employees and for township assessor employees could increase county General Fund expenditures. The above salary expenditure increases may come from an increased property tax levy or from money saved by reducing other expenditures. If the county already levies its maximum levy, then it could not increase taxes and instead would have to use current resources to fund the salary increases.

Explanation of Local Revenues: ***Reassessment*:** Under current law, real property is reassessed every four years. Under the bill, real property assessed values would be adjusted in the interim non-reassessment years beginning with 2004. The adjustments would be based on a system defined by State Tax Board imposed rules. The system of adjustments must promote uniformity, apply objectively verifiable factors, prescribe adjustment factors as necessary, and prescribe procedures for the application of the adjustments by assessing officials.

Currently, personal property (business tangible property, inventory and individual personal property) is reported each year on forms prescribed by the State Tax Board. These forms, in effect, reassess personal property each year. Since real property is not reassessed each year, and its value generally increases, there is a shift of the property tax burden each year from real estate taxpayers to personal property taxpayers until reassessment occurs. Beginning in 2004, this proposal would reduce or eliminate this shift by annually adjusting real property assessments. This provision would also reduce or eliminate the reassessment "shock" that many real property taxpayers currently experience after reassessment.

The annual real property adjustments would cause two additional things to happen under sections of current law not changed by this bill. First, maximum levy growth may be affected. Maximum levy limitations for local civil units are based on each taxing unit's three year average assessed value growth, not including a year of reassessment. The growth rate is subject to a minimum of 5% and a maximum of 10%. Most taxing units receive the minimum 5% increase. If a unit's actual AV growth becomes greater than 5% by adding the adjusted real property AV to the tax base each year, this provision could cause that unit to receive maximum levy increases that are greater than 5%. Property tax levies could increase under this proposal if the affected units choose to take advantage of any additional levy authority that they might receive.

Second, debt limits would be affected. Local civil units and school corporations are bound by a constitutional debt limit equal to 2% of AV. The annual revaluation beginning in 2004 would increase bonding authority on an annual basis for these units rather than only providing real increases in years of reassessment.

***Land Valuation Commissions*:** County land valuation commissions were abolished by HEA 1783 (97) in favor of having township assessors determine land values by November 1 preceding the effective date of a general reassessment. Beginning July 1, 2001, this bill would reestablish the county land commissions in a similar form as they existed before 1997. Each commission would consist of nine members including the county assessor, who serves as chairman, two township assessors, one real estate broker or salesperson, four individuals representing the four classes of land, and one individual representing a financial institution. One of the township assessor seats would be filled with the assessor of the township currently under review.

Under this provision, the commissions would determine the value of all land in the counties using State Tax Board guidelines. The county property tax assessment board of appeals would review the values and make any necessary modifications necessary to provide uniformity and equality. The State Tax Board could modify the value of the taxpayer's land or any other land in the county or adjacent county in order to provide uniformity and equality.

Since the county land valuation commissions would determine land values on a county-wide basis, it is assumed that there would be an initial high level of uniformity within the county. Under current law, if the township assessors determine land values, the values would probably be uniform within the township, but they may not be uniform county-wide. Better uniformity among property assessments would help distribute the property tax burden.

***Sales Disclosure*:** The county deposits $4 of each $5 sales disclosure filing fee into the county General Fund. This bill would create a Sales Disclosure Fund in each county to be used for administration of the form program and verifying information contained in the forms. Based on the amount of money forwarded as the state's share of the filing fees, it is estimated that counties received about $820,000 from filers in FY 2000

***Appeals Board* :** This bill makes several changes to the composition of the property tax assessment board of appeals (appeals board). Currently, the county commissioners must appoint at least one certified level two assessor-appraiser to the appeals board. Under this proposal, the county commissioners' appointments would not have be level two assessor-appraisers if the county assessor is a certified level two assessor-appraiser.

This proposal also allows an appointed member of the property tax assessment board of appeals to serve on the boards of more than one county. The bill prohibits an employee or officer of a county or township, except for the county assessor, from serving on the county property tax assessment board of appeals in the county in which they are an officer or employee.

Some smaller Indiana counties may currently be having difficulty in filling vacancies on the appeals board with qualified persons under current law. The above changes may allow these counties to make all of the necessary appointments to the appeals board.

***Assessed Value*:** Under current law, assessed value (AV) is equal to one-third of true tax value through the March 1, 2000 assessment date. Assessed value is currently scheduled to be equal to 100% of true tax value beginning with March 1, 2001 assessments. This change has no effect on tax levies or tax billings since tax rates will be reduced by two-thirds as a result of the AV change. The bill affirms that assessing officials do not have to mail a change of assessment notice to each taxpayer and that the assessment change is not grounds for an appeal.

State Agencies Affected: State Board of Tax Commissioners; State Budget Committee.

Local Agencies Affected: County Assessors; Township Assessors; All local officials having reassessment duties.

Information Sources: